

FILE COPY



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



DARLENE GREEN
Comptroller

DR. KENNETH M. STONE, CPA
Internal Audit Executive

Internal Audit Section

Carnahan Courthouse Building
1114 Market St., Room 642
St. Louis, Missouri 63101
(314) 622-4723
Fax: (314) 613-3004

November 9, 2010

Suzanne Wagener, Executive Director
Covenant House Missouri
2727 N. Kingshighway
St. Louis, MO 63113

RE: Supportive Housing Program (SHP) (Project #2010-HOM7)

Dear Ms. Wagener:

Enclosed is a report of the fiscal monitoring review of the Covenant House Missouri, a not-for-profit organization, SHP, for the report period July 1, 2009 through October 31, 2009. The scope of a fiscal monitoring review is less than an audit, and as such, we do not express an opinion on the financial operations of the Covenant House Missouri. Fieldwork was completed on December 28, 2009.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and through an agreement with the City of St. Louis Department of Human Services (DHS) to provide fiscal monitoring to all grant sub-recipients.

If you have any questions, please contact the Internal Audit Section at (314) 622-4723.

Sincerely,

A handwritten signature in black ink that reads "Kenneth M. Stone".

Dr. Kenneth M. Stone, CPA
Internal Audit Executive

Enclosure

cc: Walter Danneman, Accounting Coordinator, DHS
Antoinette Triplett, Manager II - Homeless Services, DHS



CITY OF ST. LOUIS

**DEPARTMENT OF HUMAN SERVICES (DHS)
SUPPORTIVE HOUSING PROGRAM (SHP)**

**COVENANT HOUSE MISSOURI
CONTRACT #58398
CFDA #14.235**

FISCAL MONITORING REVIEW

JULY 1, 2009 THROUGH OCTOBER 31, 2009

PROJECT #2010-HOM7

DATE ISSUED: NOVEMBER 9, 2010

**Prepared by:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

**CITY OF ST. LOUIS
DEPARTMENT OF HUMAN SERVICES (DHS)
SUPPORTIVE HOUSING PROGRAM (SHP)
COVENANT HOUSE MISSOURI
FISCAL MONITORING REVIEW
JULY 1, 2009 THROUGH OCTOBER 31, 2009**

TABLE OF CONTENTS

<u>Description</u>	<u>Page(s)</u>
INTRODUCTION	
Background	1
Purpose	1
Scope and Methodology	1
Exit Conference	1
Management's Responses	1
SUMMARY OF OBSERVATIONS	
Conclusion	2
Status of Prior Observations	2
A-133 Status	2
Summary of Current Observations	2
DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES	3 - 4

INTRODUCTION

Background

Contract Name: Covenant House Missouri

Contract Number: 58398

CFDA Number: 14.235

Contract Period: July 1, 2009 through October 31, 2009

Contract Amount: \$765,675

This contract provided Supportive Housing Program (SHP) funds to Covenant House Missouri (Agency) to provide a transitional living program specifically targeting services to an under-funded population of homeless young men and women between the ages of 16 and 21.

Purpose

The purpose of the review was to determine the Agency's compliance with federal, state and local Department of Human Services (DHS) requirements for the period July 1, 2009 through October 31, 2009, and make recommendations for improvements as considered necessary.

Scope and Methodology

Inquiries were made regarding the Agency's internal controls relating to the grant administered by DHS. Evidence was tested supporting the reports the Agency submitted to DHS and other procedures were performed as considered necessary. Fieldwork was completed on December 28, 2009.

Exit Conference

The Agency was offered the opportunity for an exit conference on October 27, 2010, but the Agency declined.

Management's Responses

The management's responses to the observations and recommendations identified in the draft report were received from the Agency on November 3, 2010. These responses have been incorporated into this report.

SUMMARY OF OBSERVATIONS

Conclusion

The Agency did not fully comply with federal, state and local DHS requirements.

Status of Prior Observations

The Agency's previous fiscal monitoring report, Project #2009-HOM20, issued September 14, 2009, contained one observation:

- The Agency does not require two authorized signatures on all grant funded disbursement checks **(Repeated – see current observation #2)**

A-133 Status

According to a letter received from the Agency, it did not expend \$500,000 or more in federal funds in its fiscal year ended June 30, 2009, and was not required to have an A-133 audit.

Summary of Current Observations

Recommendations were made for the following observations, which if implemented could assist the Agency in fully complying with federal, state, and local DHS requirements.

1. The Agency did not meet grant agreement's transitional housing capacity rate
2. The Agency does not require two authorized signatures on all grant fund disbursement checks **(Repeated)**

DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES

1. The Agency Did Not Meet Grant Agreement's Transitional Housing Capacity Rate

The Agency did not maintain a transitional living program capacity rate of 95% throughout the contract period. According to the Agency's Annual Progress Report for the period July 1, 2008 to June 30, 2009 submitted to DHS on July 30, 2009, the Agency maintained a capacity rate of 81%.

The St. Louis City Continuum of Care Objectives, Attachment B-2, of the grant fund agreement requires that the Agency provide transitional living facility to the homeless young men and women at a capacity rate of 95 percent.

According to the Agency the youth enrolled in the program were not motivated to find employment or to enroll in an educational program; therefore, these participants were removed from the program. This created vacancies which could not be filled in a timely manner.

The Agency's inability to meet the grant agreement's transitional living capacity rate may result in the suspension or termination of the grant agreement.

Recommendation

It is recommended that the Agency develop and implement procedures to identify ways to assist and motivate youth in finding employment and enrolling in the educational programs in order to meet the transitional capacity rate requirement of the grant agreement.

Management's Response

Since June 2009, the capacity rating for the Transitional Living program has increased 94%. This increase is because of changes which include, allowing youth to transfer to the Transitional Living program employed less than 30 hours, or in some cases, not employed at all with the plan of gaining and maintaining employment within 30 days.

2. Agency Does Not Require Two Authorized Signatures On All Grant Funded Disbursement Checks (Repeated)

The Agency requires only one authorized signature on grant disbursement checks for less than \$2,500. The Agency's management indicated a waiver of this requirement had been obtained from DHS. The waiver letter, however, provided only a temporary exemption from the requirement for FY 2008.

DHS policy and procedures require the Agency to have at least two duly authorized signatures on all checks for expenditures of programs supported by grant funds.

The Agency did not comply with the DHS check signing requirements for the grant disbursement checks.

Non-compliance with DHS check-signing policy guidelines could result in misappropriation of the grant funds and eventual termination of the grant agreement.

Recommendation

It is recommended the Agency require two authorized signatures on all checks, or obtain a permanent waiver from DHS.

Management's Response

Although we have previously received a temporary waiver from Antoinette Triplett, we are requesting a permanent waiver regarding this requirement. As soon as we receive a response to our request, we will forward a copy to your office.